

APPENDIX F

TOWN OF SILVERTON 2009 BUDGET MONITORING, SPENDING POLICIES, & EMERGENCY FINANCIAL PLAN

OVERVIEW

As the Town enters the 2009 fiscal year, the national economy faces an uncertain and volatile climate. Throughout 2008, the nation teetered on the brink of a major recession. As consumer confidence fell, unemployment increased, and gas prices rose, the Town saw a reduction in summer tourism. The Durango & Silverton Narrow Gauge experience a decline in rider ship of approximately 11.5%. For the summer months, this decrease in tourism resulted in an approximate 3% decrease in sales tax revenue. In contrast though, the Town saw an increase in winter recreation, the result of banner snowfall. Winter sales tax revenue was up 22% over the five year average, and up 10% over 2007. This increased revenue in the winter months offset the slight decreases experienced during the summer months.

The successful winter was a double-edged sword. On one hand, the Town's total revenues balanced out, but the Town also faced significant costs associated with snow removal. These costs drove fuel and overtime over budget, and made it necessary to bring in contracted help to address safety issues resulting from the more than 250" of snow that fell in 2008. The Town also saw gas prices nearly double in the same time period.

To address concerns with cost overruns experienced early in the fiscal year, and concerns over the national economy's potential impact on the Town, Silverton implemented a budget monitoring program in June of 2008. This program placed the Town in a proactive position to respond quickly should sales tax revenues have decreased drastically. As a result of this monitoring, the Town was able to reduce spending moderately throughout the fall of 2008 to offset the budget overruns experienced earlier in the year.

The 2009 Budget conservatively estimates flat sales tax revenue for 2009, but also suggests an optimistic belief that the national economy will have little overall impact on the Town. The Town is pursuing an aggressive cash savings plan to begin setting money aside to help accomplish numerous projects that need to happen, setting out to make progress on several projects including the replacement of the roof on the Carriage House, repairs and maintenance to the Kendall Mountain Community Center, an update to the Master Plan, completion of a cadastral survey at Kendall Mountain, and much more.

To balance month-to-month expenditures, and continue to improve the overall financial management of the Town, the following budget monitoring and emergency financial plan will be implemented in 2009.

MONITORING PROGRAM

Sales tax revenue represents over half of the Town's total operating revenue, and 72% of this revenue reaches the Town between July and October. By the time the Town knows how sales tax revenue is trending for the year; the Town has potentially spent 65%-75% of its annual budget. This makes it difficult for the Town to respond in the event there is a significant downturn in sales tax that will affect the overall budget, and puts the Town at risk of operating in a budget deficit.

If the Town had extremely healthy cash savings, this risk would be nominal in any given year, but the Town's cash reserves are modest, and could be easily depleted if a financial crisis lasted more than a year, or if there was a significant emergency.

In order to ensure that the Town is acting responsible each month and that adequate adjustments in spending can be implemented in a timely matter the following monitoring program will be implemented:

1st & 2nd Quarter Monitoring

- Each month, the Treasurer will produce a comparison chart showing 2009 revenues and expenditures in comparison to the past five year average and the past fiscal year, and provide this report to the Finance Committee along with monthly financial statements.
- All revenues and expenses will be closely watched for any unusual trends. The Finance Committee will then determine if there are any concerns that must be addressed, or if continued monitoring is sufficient.
- In accordance with the spending policies listed below, all major projects or expenses will require approval prior to commencing.

3rd & 4th Quarter Monitoring

- Same monitoring as 1st & 2nd quarter
- An analysis of sales tax collection and budget projections will be completed by the Treasurer or Town Administrator. This analysis will determine thresholds for sales tax declines that could affect the budget and require the Town to make budget adjustments. The

analysis will also determine at what thresholds minor, moderate, and major budget cuts need to be considered.

Sample Threshold Plan

1. If sales tax is down by 10% or less for two months, expenditures will be carefully monitored to ensure budgets are not exceeded.
 - a. Any budget item at 50% or greater must receive Town Administrator approval prior to additional expenditures.
 - b. Any budget item at 75% or greater must receive Finance Committee approval prior to additional expenditures
2. If sales tax is down by 10-15% for three months, minor budget cuts will be implemented. Approval for budget items nearing the 50% and 75% thresholds will still apply.

SPENDING & SAVINGS POLICIES

- Any item listed as a potential cut should be deferred until August or later to ensure the Town's financial picture is trending positive.
- If an item listed as a potential minor or moderate cut is critical prior to August, Town Administrator approval will be required.
- If an item listed as a potential major cut is critical prior to August, Finance Committee approval shall be required.
- The Town should strive over the next 3 to 5 years to build the general fund balance up. The general fund balance should equal approximately 3 months of operating costs.
- The Town should strive over the next 3 to 5 years to build the water and sewer fund balances up. These fund balances should equal at least 3 months of operating costs, as well as be sufficient enough to cover potential emergencies such as power supply failures, water main breaks, etc.

EMERGENCY FINANCIAL PLAN

In the event that budget monitoring, the state of the economy, a major emergency, or any other event demonstrates that the 2009 fiscal year will be faced with financial difficulties, the Town Board and Finance Committee will evaluate the remaining portion of the Town budget, and implement any combination of cuts or reductions to help reduce or eliminate any financial risk. The potential budget items that could be cut or at least reduced are listed in order

of preference. Based on the budget analysis conducted mid-year, the Town can set thresholds to trigger budget cuts, if necessary. Any combination of minor, moderate, or major cuts can be proposed at that time.

Minor Cuts:

- Training Budgets
- Travel Budgets
- Organizational Dues
- Books & Periodicals
- Professional Service Budgets
- Office Supplies
- Clothing Allowance

Moderate Cuts

- Town Board Pay
- Good Ideas
- Fireworks
- Repair & Maintenance work
- Gravel
- Special Events (cut backs)
- Partner Organizations

Major Cuts

- Special Projects (CMP Update, Cadastral Survey, Roof @ Kendall)
- Staffing (reduction in hours and on)